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Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 NSC-10 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 AGR-20

INT-08 DRC-01 /209 W
---------- 031363
R 251758Z FEB 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8218
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

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DEPARTMENT ALSO PASS FRB AND TREASURY

E.O. 11652: N/A
TAGS: EFIN, UK
SUBJECT U.K. TRADE IN JANUARY 1974

BEGIN SUMMARY: IN JANUARY, THE U.K. RECORDED A RECORD VISIBLE TRADE DEFICIT OF 383 MILLION POUNDS (S.A.) WITH EXPORTS OF 1025 MILLION POUNDS (F.O.B., S.A.) AND RECORD IMPORTS OF 1408 BILLION POUNDS (F.O.B., S.A.). THE BALANCE ON SERVICES AND OTHER CURRENT TRANSACTIONS IS ESTIMATED TO HAVE BEEN IN SURPLUS BY 71 MILLION POUNDS. THE CURRENT ACCOUNT IS THUS ESTIMATED TO HAVE BEEN IN DEFICIT BY 312 MILLION POUNDS. END SUMMARY.

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1. IN JANUARY, THE U.K. HAD A VISIBLE TRADE DEFICIT

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OF 383 MILLION POUNDS (S.A., F.O.B., B/P BASIS) COMPARED WITH A VISIBLE TRADE DEFICIT OF 328 MILLION POUNDS (REVISED) IN DECEMBER AND 276 MILLION POUNDS (REVISED) IN NOVEMBER. THE COST OF OIL CONTRIBUTED SIGNIFICANTLY TO THE DEFICIT AND THE SHORT WORK WEEK PROBABLY HAD SOME EFFECT AS WELL. IN THE THREE MONTH PERIOD NOVEMBER-JANUARY, THE AVERAGE MONTHLY DEFICIT ON VISIBLE TRADE WAS 328 MILLION POUNDS COMPARED WITH 255 MILLION POUNDS A MONTH IN THE PREVIOUS THREE-MONTH PERIOD. THE TERMS OF TRADE CONTINUED TO WORSEN IN THE FOURTH QUARTER WITH A RISE OF 10 PERCENT IN THE IMPORT UNIT VALUE INDEX COMPARED WITH A RISE OF 6 PERCENT IN THE EXPORT UNIT VALUE INDEX WHEN COMPARED TO THIRD QUARTER 1973.

2. THE VALUE OF U.K. EXPORTS IN JANUARY WAS 1025 MILLION POUNDS (S.A., FOB, B/P BASIS) COMPARED TO 1021 MILLION POUNDS (REVISED) IN DECEMBER AND 1036 MILLION POUNDS (REVISED IN NOVEMBER). IN THE PERIOD NOVEMBER 1973 TO JANUARY 1974, EXPORTS AVERAGED 1028 MILLION POUNDS A MONTH, TWO PERCENT HIGHER THAN THE PREVIOUS THREE MONTHS. COMPARING THESE TWO PERIODS, EXPORTS TO WESTERN EUROPE INCREASED BY FOUR PERCENT (WITH DELIVERIES TO THE EC SEVEN PERCENT HIGHER) AND THOSE TO NORTH AMERICA BY THREE PERCENT. DELIVERIES TO THE STERLING AREA OUTSIDE EUROPE ROSE BY ONE PERCENT WHILE EXPORTS TO THE REST OF THE WORLD IN AGGREGATE FELL BY SEVEN PERCENT.

3. THE VALUE OF U.K. IMPORTS IN JANUARY WAS A RECORD 1408 MILLION POUNDS (S.A., F.O.B., B/P BASIS) COMPARED TO 1349 MILLION POUNDS (REVISED) IN DECEMBER AND 1312 MILLION POUNDS (REVISED) IN NOVEMBER. A SIGNIFICANT FACTOR CONTRIBUTING TO THE HIGH VALUE OF IMPORTS WAS THE RISE IN COST OF IMPORTED CRUDE OIL -- 210 MILLION POUNDS CIF IN JANUARY COMPARED WITH 108 MILLION POUNDS CIF PER MONTH IN 1973 -- MAINLY REFLECTING HIGHER OIL PRICES. THE LANDED PRICE OF CRUDE OIL AVERAGED 21 POUNDS PER TON CIF IN JANUARY COMPARED WITH AN AVERAGE OF 11-1/2 POUNDS IN 1973. IN THE PERIOD

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NOVEMBER TO JANUARY, IMPORTS AVERAGED 1356 MILLION POUNDS A MONTH, EIGHT PERCENT HIGHER THAN IN THE PREVIOUS THREE MONTHS. IMPORTS OF FUELS INCREASED BY 26 PERCENT BY VALUE BETWEEN THESE TWO PERIODS, WITH THE LANDED PRICE OF CRUDE OIL RISING BY 53 PERCENT. IMPORTS FROM WESTERN EUROPE INCREASED BY ONE PERCENT, FROM THE EC BY THREE PERCENT, FROM THE STERLING AREA OUTSIDE EUROPE BY FOUR PERCENT, FROM NORTH AMERICA BY 15 PERCENT, AND FROM THE REST OF THE WORLD BY TEN PERCENT WHEN THE TWO PERIODS ARE COMPARED.

4. THE SURPLUS ON INVISIBLES RAN AN ESTIMATED 71 MILLION POUNDS IN JANUARY. THE ESTIMATED CURRENT ACCOUNT DEFICIT FOR JANUARY IS THUS PUT AT 312 MILLION POUNDS COMPARED TO 257 MILLION POUNDS (REVISED) IN DECEMBER.
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5. THE TOTALS FOR THE VISIBLE TRADE ACCOUNT FOR 1974

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COMPARED TO 1973 ARE AS FOLLOWS:

	EXPORTS	IMPORTS	BALANCE
1973	881	959	-78
1974	1025	1408	-383

NOTE: FIGURES HAVE BEEN REVISED, ALL FIGURES ARE F.O.B., S.A., B/P BASIS IN MILLIONS OF POUNDS.

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To: STATE
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